

**Consolidated Statement of Income**

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 30, 2006, December 31, 2005 and December 25, 2004

(in millions except per share amounts)

	<b>2006</b>	2005	2004
<b>Net Revenue</b>	<b>\$ 35,137</b>	\$ 32,562	\$ 29,261
Cost of sales	15,762	14,176	12,674
Selling, general and administrative expenses	12,774	12,314	11,031
Amortization of intangible assets	162	150	147
Restructuring and impairment charges	-	-	150
<b>Operating Profit</b>	<b>6,439</b>	5,922	5,259
Bottling equity income	616	557	380
Interest expense	(239)	(256)	(167)
Interest income	173	159	74
<b>Income from Continuing Operations before</b>			
<b>Income Taxes</b>	<b>6,989</b>	6,382	5,546
<b>Provision for Income Taxes</b>	<b>1,347</b>	2,304	1,372
<b>Income from Continuing Operations</b>	<b>5,642</b>	4,078	4,174
<b>Tax Benefit from Discontinued Operations</b>	<b>-</b>	-	38
<b>Net Income</b>	<b><u>\$ 5,642</u></b>	<b><u>\$ 4,078</u></b>	<b><u>\$ 4,212</u></b>
<b>Net Income per Common Share – Basic</b>			
Continuing operations	\$ 3.42	\$ 2.43	\$ 2.45
Discontinued operations	-	-	0.02
Total	<u>\$ 3.42</u>	<u>\$ 2.43</u>	<u>\$ 2.47</u>
<b>Net Income per Common Share – Diluted</b>			
Continuing operations	\$ 3.34	\$ 2.39	\$ 2.41
Discontinued operations	-	-	0.02
Total	<u>\$ 3.34</u>	<u>\$ 2.39</u>	<u>\$ 2.44*</u>

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\* Based on unrounded amounts.

See accompanying notes to consolidated financial statements.



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### Consolidated Statement of Cash Flows

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 30, 2006, December 31, 2005 and December 25, 2004

(in millions)

	2006	2005	2004
<b>Operating Activities</b>			
Net income .....	\$ 5,642	\$ 4,078	\$ 4,212
Depreciation and amortization .....	1,406	1,308	1,264
Stock-based compensation expense .....	270	311	368
Excess tax benefits from share-based payment arrangements .....	(134)	-	-
Restructuring and impairment charges .....	-	-	150
Cash payments for merger-related costs and restructuring charges .....	-	(22)	(92)
Tax benefit from discontinued operations .....	-	-	(38)
Pension and retiree medical plan contributions .....	(131)	(877)	(534)
Pension and retiree medical plan expenses .....	544	464	395
Bottling equity income, net of dividends .....	(479)	(411)	(297)
Deferred income taxes and other tax charges and credits .....	(510)	440	(203)
Other non-cash charges and credits, net .....	32	145	166
Change in accounts and notes receivable .....	(330)	(272)	(130)
Change in inventories .....	(186)	(132)	(100)
Change in prepaid expenses and other current assets .....	(37)	(56)	(31)
Change in accounts payable and other current liabilities .....	223	188	216
Change in income taxes payable .....	(295)	609	(268)
Other, net .....	<u>69</u>	<u>79</u>	<u>(24)</u>
<b>Net Cash Provided by Operating Activities</b> .....	<b><u>6,084</u></b>	<b><u>5,852</u></b>	<b><u>5,054</u></b>
<b>Investing Activities</b>			
Snack Ventures Europe (SVE) minority interest acquisition .....	-	(750)	-
Capital spending .....	<b>(2,068)</b>	(1,736)	(1,387)
Sales of property, plant and equipment .....	49	88	38
Investment in finance assets .....	(25)	-	-
Other acquisitions and investments in noncontrolled affiliates .....	<b>(522)</b>	(345)	(64)
Cash proceeds from sale of PBG stock .....	318	214	-
Divestitures .....	37	3	52
Short-term investments, by original maturity			
More than three months – purchases .....	(29)	(83)	(44)
More than three months – maturities .....	25	84	38
Three months or less, net .....	<b>2,021</b>	(992)	(963)
<b>Net Cash Used for Investing Activities</b> .....	<b><u>(194)</u></b>	<b><u>(3,517)</u></b>	<b><u>(2,330)</u></b>

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**Consolidated Statement of Cash Flows (continued)**

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 30, 2006, December 31, 2005 and December 25, 2004

(in millions)

	<b>2006</b>	2005	2004
<b>Financing Activities</b>			
Proceeds from issuances of long-term debt .....	\$ 51	\$ 25	\$ 504
Payments of long-term debt .....	(157)	(177)	(512)
Short-term borrowings, by original maturity			
More than three months – proceeds .....	185	332	153
More than three months – payments .....	(358)	(85)	(160)
Three months or less, net .....	(2,168)	1,601	1,119
Cash dividends paid .....	(1,854)	(1,642)	(1,329)
Share repurchases – common .....	(3,000)	(3,012)	(3,028)
Share repurchases – preferred .....	(10)	(19)	(27)
Proceeds from exercises of stock options .....	1,194	1,099	965
Excess tax benefits from share-based payment arrangements .....	134	-	-
<b>Net Cash Used for Financing Activities</b> .....	<b>(5,983)</b>	<b>(1,878)</b>	<b>(2,315)</b>
Effect of exchange rate changes on cash and cash equivalents .....	28	(21)	51
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b> .....	<b>(65)</b>	<b>436</b>	<b>460</b>
<b>Cash and Cash Equivalents, Beginning of Year</b> .....	<b>1,716</b>	<b>1,280</b>	<b>820</b>
<b>Cash and Cash Equivalents, End of Year</b> .....	<b>\$ 1,651</b>	<b>\$ 1,716</b>	<b>\$ 1,280</b>

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See accompanying notes to consolidated financial statements.



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**Consolidated Balance Sheet**

PepsiCo, Inc. and Subsidiaries  
December 30, 2006 and December 31, 2005  
(in millions except per share amounts)

	2006	2005
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents . . . . .	\$ 1,651	\$ 1,716
Short-term investments . . . . .	1,171	3,166
Accounts and notes receivable, net . . . . .	3,725	3,261
Inventories . . . . .	1,926	1,693
Prepaid expenses and other current assets . . . . .	<u>657</u>	<u>618</u>
<b>Total Current Assets</b> . . . . .	<b>9,130</b>	10,454
<b>Property, Plant and Equipment, net</b> . . . . .	<b>9,687</b>	8,681
<b>Amortizable Intangible Assets, net</b> . . . . .	<b>637</b>	530
Goodwill . . . . .	4,594	4,088
Other nonamortizable intangible assets . . . . .	<u>1,212</u>	<u>1,086</u>
<b>Nonamortizable Intangible Assets</b> . . . . .	<b>5,806</b>	5,174
<b>Investments in Noncontrolled Affiliates</b> . . . . .	<b>3,690</b>	3,485
<b>Other Assets</b> . . . . .	<b>980</b>	3,403
<b>Total Assets</b> . . . . .	<b>\$ 29,930</b>	<b>\$ 31,727</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Short-term obligations . . . . .	\$ 274	\$ 2,889
Accounts payable and other current liabilities . . . . .	6,496	5,971
Income taxes payable . . . . .	<u>90</u>	<u>546</u>
<b>Total Current Liabilities</b> . . . . .	<b>6,860</b>	9,406
<b>Long-Term Debt Obligations</b> . . . . .	<b>2,550</b>	2,313
<b>Other Liabilities</b> . . . . .	<b>4,624</b>	4,323
<b>Deferred Income Taxes</b> . . . . .	<b>528</b>	1,434
<b>Total Liabilities</b> . . . . .	<b>14,562</b>	17,476
Commitments and Contingencies		
<b>Preferred Stock, no par value</b> . . . . .	<b>41</b>	41
<b>Repurchased Preferred Stock</b> . . . . .	<b>(120)</b>	(110)
<b>Common Shareholders' Equity</b>		
Common stock, par value 1 <sup>2</sup> / <sub>3</sub> cents per share (issued 1,782 shares) . . . . .	30	30
Capital in excess of par value . . . . .	584	614
Retained earnings . . . . .	24,837	21,116
Accumulated other comprehensive loss . . . . .	<u>(2,246)</u>	<u>(1,053)</u>
	23,205	20,707
Less: repurchased common stock, at cost (144 and 126 shares, respectively) . . . . .	(7,758)	(6,387)
<b>Total Common Shareholders' Equity</b> . . . . .	<b>15,447</b>	14,320
<b>Total Liabilities and Shareholders' Equity</b> . . . . .	<b>\$ 29,930</b>	<b>\$ 31,727</b>

See accompanying notes to consolidated financial statements.





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